Resource Management

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ASA(FM&C) Strategic Priorities:
Supporting the Army Vision

By Mr. Joseph Romito

The reason an organization– particularly an organization as large and as complex as the Army–establishes priorities is to provide a focus for its efforts and to ensure that its resources are applied to activities that will best contribute to accomplishing the mission. Without this focus, members of the organization are likely to find themselves inadvertently working at cross purposes and not making the best possible use of money, time, and people. In today's world, with its missions so critical and its resources so limited, the Army cannot afford to let either of these things happen.

To meet this need, the Assistant Secretary of the Army (Financial Management and Comptroller), has established strategic priorities for Army financial management. These priorities, along with the implementing objectives, are intended to guide the financial management community in carrying out its mission and contributing to the Army's overall mission.

Strategic planning begins with defining the organization's mission, and then describing a "vision," or a picture of the results that will be achieved when the strategic plan is successfully implemented. The mission and vision enable managers to determine high-priority goals and then to set measurable objectives to serve as indicators of progress. Taken together, the mission, vision, priorities, and objectives serve as a roadmap that identifies both the intended destination and the plan for getting there.

To ensure that the financial management community's priorities will support the Army's overall priorities, the Office of the Assistant Secretary of the Army for Financial Management and Comptroller (OASA[FM&C])began by analyzing the Army-wide mission and vision established by the Secretary of the Army (SECARMY) and then developed strategies and objectives to help accomplish the mission and make the vision a reality.

Army-Wide Strategic Priorities

The Army's strategic planning framework describes the 21st century security environment as an era of uncertainty and unpredictability, one in which we must deal with a persistent state of conflict. In this challenging environment, the SECARMY's goal or vision is that the Army will remain relevant and ready, both now and in the future, fully prepared to carry out its mission of providing forces and capabilities to combatant commanders in support of the National Security Strategy and the National Defense Strategy.

The SECARMY has established four overarching, interrelated strategies:

- Provide relevant and ready landpower for the 21st century security environment.
- Train and equip soldiers to serve as warriors and grow adaptive leaders.
- Sustain an all-volunteer force composed of highly competent soldiers who are provided an equally high quality of life.
- Provide the infrastructure and support to enable the force to fulfill its strategic roles and missions.

Financial Management Strategic Priorities

The planning framework for Army financial management is derived from the Army-wide framework. In evaluating the 21st century financial management environment, we can foresee a world that will be characterized by:

- Constrained budgets.
- The need for increasing accountability and transparency.
- The development and fielding of enterprise-wide systems.
- A greater emphasis on controls.
- The need for timely resource decision-making.
- An emphasis on results-oriented government.

In this environment, the four-part mission of financial management is to provide the resources to support Army missions, control the distribution of funds, account for Army assets, and ensure the efficient and effective stewardship of the resources entrusted to the Army. The vision for the future is that Army financial management will continue to be an

effective, efficient provider of support to the joint and expeditionary Army.

To accomplish the mission and achieve the vision, OASA(FM&C) has identified four overarching strategies that will receive priority attention:

1. Develop a strategic process that aligns Army requirements with available resources.
2. Improve the quality of financial management information systems.
3. Improve accountability and management controls for the Army enterprise.

4. Execute effective financial management.

Figure 1 captures the planning framework and overarching strategies, and identifies the objectives that support each of the strategies.

Many of the eight objectives are no doubt familiar to resource managers throughout the Army. The objectives include tasks such as obtaining resources and enhancing the management control program. These objectives have always required attention from financial managers, and that must continue. But the OASA(FM&C) leadership has also identified several objectives that might be new to the community, or that

require greater emphasis than they've received in recent years. The following are a few objectives that are of particular importance.

Objective 1.2: Reduce Planning, Programming, Budgeting and Execution (PPBE) unfunded requirements in the near term

Because we live in a world of limited resources, we will always be faced with requirements that exceed available funding. This is as it should be, because healthy tension between requirements and funding helps decision-makers focus their attention and ensure that they apply their resources in ways that will best support the Army's missions. However, if requirements are

Figure 1 - Strategic Priorities for Army Financial Management

21st Century Financial Management Environment

- Constrained budget
- Increasing accountability, transparency
- Enterprise systems
- Emphasis on controls
- Need for timely resource decision-making
- Emphasis on results-oriented government

Intent: Army financial management will be an effective, efficient provider of support to the joint and expeditionary Army

Mission: Provide the resources to support Army missions. Control the distribution of funds, account for Army assets and ensure the efficient and effective stewardship of the Nation's resources entrusted to Department of the Army.

Loyalty - Duty - Respect - Selfless Service - Honor - Integrity - Personal Courage

Overarching Strategy:

1. Close the gap between Army requirements and funding	2. Improve the quality of financial management information systems	3. Improve accountability and management controls for the Army enterprise	4. Execute effective financial management
Objectives:	**Objectives:**	**Objectives:**	**Objectives:**
1.1 Reduce requirements 1.2 Obtain resources	2.1 Deploy General Fund Enterprise Business System (GFEBS) and integrate with other business systems 2.2 Eliminate redundant legacy systems	3.1 Establish Controller functions 3.2 Monitor Army Budget Performance Integration (BPI) Metrics 3.3 Correct material weaknesses 3.4 Improve management controls	4.1 Execute budgeted resources in accordance with plan 4.2 Analyze execution and develop controls on selected programs 4.3 Integrate Six Sigma and Cost Management / ABC 4.4 Provide training, education, and leadership development to the Financial Management Future Force

Human and Financial Resources

allowed to grow too large, there comes a point when the gap between requirements and funding becomes so great that it can detract from our decision-making ability. The OASA(FM&C) leadership believes we might have reached that point, as evidenced by the fact that validated requirements for the program years (FY07-11) exceed funding by $122B, or 21 percent.

Here are a few of the difficulties that can arise when requirements outstrip resources by such a large margin:

- Decision-makers can be diverted, causing them to direct their attention to the overwhelming bow-wave of unfunded requirements (UFRs) and away from the boundary between funded and unfunded programs, which is where it belongs.

- The Army can raise doubts with its partners in the Office of the Secretary of Defense, the Office of Management and Budget, and Congress, causing them to question how the Army can claim to be significantly under-resourced year after year, while at the same time accomplishing its assigned missions in exemplary fashion.

- The Army can create expectations that cannot realistically be reached, by allowing many claimants to occupy a UFR list even though there is virtually no chance that their programs will be funded.

In addition to continuing its efforts to increase Army funding, OASA(FM&C) is working to insert more rigor and analysis into the PPBE process. Several initiatives have been implemented to accomplish this, to include:

- Using the Army Campaign Plan as a benchmark to identify critical requirements. Before a proposed requirement is validated, the program proponent will be required to show how the program contributes to the essential capabilities identified in the Army Campaign Plan.

- Establishing performance metrics for critical requirements. Each validated requirement will have performance targets that it must meet in order to determine

whether the program is contributing to Army capabilities as intended.

Objective 2.1 and 2.2: Deploy GFEBS and integrate with other business systems

The inability of the Army, indeed of the entire Defense Department, to achieve a

> For the first time in history, the Army will have transparency in all of its business lines…

"clean" financial audit opinion is a perpetual problem. Some observers might view this as an issue that only accountants need worry about. But the underlying, systemic deficiencies that make it impossible for the Army to achieve a clean audit have adverse impacts across the organization.

The inability of financial systems and other functional systems to integrate with each other makes it difficult for financial managers to give leaders and commanders timely, reliable, and accurate information to support decision-making. Further, system deficiencies damage the Army's credibility with the American public and the Congress, who have a right to expect proper accountability and stewardship of the Nation's resources. The General Fund Enterprise Business System (GFEBS) is the linchpin of that will address this continuing problem. GFEBS will provide not only the financial accounting data that the Army needs; it will also provide the cost management capabilities that do not exist in most Army financial systems today.

As the Assistant Secretary has commented, "For the first time in history, the Army will have transparency in all of its business lines. Decision-makers will have real-time information, which will empower us to better manage our investments–because we'll be able to answer the simple

question, 'Are we getting the biggest bang for our buck?'"

There will be considerable challenges in the fielding of GFEBS, and its success will require hard work by financial managers at all levels.

Objectives 3.1 and 4.1: Enhance the Army's management control program. Establish and track cost targets across the Army Force Generation Model (ARFORGEN) readiness cycles to monitor through quarterly cost management reviews to the Senior Review Group (SRG).

There is a well-known adage that "the things the commander checks are the things the unit does well." This is as true at Army Headquarters (HQDA) as it is at company and battalion level. The "controller" (or comptroller, if you prefer) plays a key role in enabling leaders and commanders to monitor critical indicators of unit performance. In the Army enterprise, controls serve two purposes. First, through the management control program, controls reduce the opportunity for fraud and error. Second, controls encompass the actions that managers take to establish performance targets, monitor performance, and adjust operations as needed to achieve standards in all functional areas.

OASA(FM&C) has begun a significant initiative in the area of performance measurement: to establish targets for the cost of maintaining warfighting units at their required readiness level, and then to monitor actual cost against those targets. The ARFORGEN places all combat units into one of three "force pools" that encompass the training and deployment cycle. The three pools are

- Reset and training pool: Units redeploying from long operations.

- Ready pool: Units ready to conduct mission preparation and training.

- Available pool: Units available to conduct missions in support of the combatant commanders or to serve as rapid deployable contingency forces.

OASA(FM&C) has identified cost targets for each of the pools. This will enable the Army to develop more accurate budget estimates and will enable resource managers and commanders to monitor actual performance, identify deviations from the targets, and identify the required corrective actions. This will greatly improve the resource management community's ability to provide senior decision makers with the information they need to oversee the Army enterprise. The SRG, co-chaired by the Under Secretary of the Army and the Vice Chief of Staff of the Army, will review cost performance quarterly.

Implementing the Strategic Priorities

As with any set of goals and objectives, success in achieving the Army's financial management strategic priorities requires concentrated attention, and the Assistant Secretary has devised a monitoring and reporting plan that will enable the community to measure its progress and implement corrective actions as needed. This plan includes:

- Establishing quantifiable performance targets for each of the supporting objectives, and incorporating the targets into individual performance standards within OASA(FM&C).
- Conducting periodic internal reviews of selected objectives weekly, monthly, and quarterly.
- Briefing the SECARMY regularly.

Summary

This article describes only a few elements of the OASA(FM&C) strategic priorities package, but all four priorities and all eight objectives are critical to the ability of financial managers to perform their mission and to contribute to the broader Army mission.

While the immediate responsibility for achieving the objectives rests with managers at Army Headquarters, real success will also require the involvement of financial managers throughout the Army. In addition to directly supporting the Army-level objectives when called upon to assist, all financial managers can contribute by making assessments of their organization's financial management goals and objectives, and by incorporating appropriate elements of the HQDA priorities and objectives into their local plans.

> leadership has taken the essential first step by identifying where the community needs to go…

The Army is currently dealing with missions and challenges far more difficult than any it has faced in the recent past, and is doing so in the face of constrained funding that is likely to become even more limited in the near future. As noted earlier, the strategies and objectives OASA(FM&C) has developed are intended to help financial managers stay focused on their most critical goals in support of the Army.

As that great philosopher, Yogi Berra, once said, "If you don't know where you are going, you will wind up somewhere else." The OASA(FM&C) leadership has taken the essential first step by identifying where the community needs to go and establishing an integrated set of priorities and objectives to monitor progress.

About the Author:

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Effectively **Communicating** from the Top

By Major Anthony A. Gilliam

While participating in the Training with Industry (TWI) program at the United States Automobile Association (USAA) for almost a year, I had the opportunity to work in two different units of the Corporate Finance Office (CFO), General Accounting and Corporate Financial Reporting, Planning and Analysis. I have been a member of USAA for my entire Army career, so I was more than delighted to be working with a company that had gained my trust and loyalty over the years. One of the primary goals of TWI, is to develop Functional Area 45 (Comptroller) Officers who will bring back business practices from industry leaders for Army use, and understand the workings of industry partners involved in the defense infrastructure.

The one practice of USAA that I immediately observed was how well leaders from the highest level communicated with their middle managers and front line employees on a day-to-day basis. The Chief Executive Officer (CEO) sets the tone and pace for the organization. If he/she is unable to effectively communicate his/her vision, intent or guidance down to the lowest level with clarity, the chances of getting the results desired are slim to none. That's the most important lesson I received from this assignment. All of the greatest ideas and theories remain just that, ideas and theories, unless leaders learn how to translate them in a way so that everyone in the organization can embrace, internalize, and take ownership of them.

So what do employees want to know?

Just like the Army and the Department of Defense, USAA is on a continuous journey to improve how it operates. With continuous change for improvement, comes uncertainty and curiosity. Employees are better able to accept change if they understand the reasoning behind the change. The USAA leadership does an exceptional job of explaining why change needs to happen. If the employees are fully informed and aware of what's happening around them, they can fully concentrate on doing their jobs rather than speculating about the future.

Not only do employees want to hear about change, they would like to hear about some other "big picture" topics according to Communication World:[1]

- The future of the organization.
- Overall corporate strategy.
- Top-line financial results.
- Feedback from the board of directors.
- Major stakeholders issues.
- Responses to media attention.

Improving Effectiveness of Communication

It all starts from the top. The leader sets the vision and the direction for the organization to follow, and it must be communicated by him/her. During my ten month assignment at USAA, I had the opportunity to listen to five employee meetings presented by the CEO. During each of these employee meetings, the CEO emphasized the same major points he wanted to get across to his employees. He continuously communicated the vision, mission, goals and purpose of the organization. He explained how the organization could move from its current state to "best-in- class." Even a temporary employee like me had a complete understanding of what is required in order for the CEO's vision for USAA to become a reality.

All of the executives and middle managers must be on board and reiterate the same exact message to the front line employees in their daily interactions. It's not enough to hear the message occasionally from the leader, but other executives and middle managers must relay the message to their particular teams and ensure that it is being executed. The Chief Financial Officer of USAA would routinely hold town hall meetings with his section to reiterate primary points from the CEO and ensure that the entire finance organization is in synch with the company's overall strategic objectives and goals. Spreading and sharing the message of the top leader of the organization by the middle managers increases overall awareness amongst all the employees and focuses efforts on the right things.

The leader must use all assets at his/her disposal to support the primary message. By this I mean that USAA has many tools it uses to repeat the CEO's message: digital bulletin boards in the hallway, internal magazine, "Inside USAA," and the intranet. A wise man once said that, "repetition is the mother of all skills." That's the benefit of these tools. They allow the primary message of the leader to reverberate throughout the organization.

Finally, in order to effectively communicate as a leader, you must be an effective listener. You must respond to the needs and concerns of your employees. USAA does this by using the PRIDE program. The purpose of the PRIDE program is to facilitate communication throughout the organization. PRIDE teams do this in three primary ways:

- Communication with the employees of USAA. Pride team members help employees understand and connect to enterprise, operational, and competitive issues.

- Listening to employees. PRIDE teams are eager to hear what employees are talking about, what they do and don't understand, and where they have questions or ideas for improvement.

- Elevating employee feedback. Feedback gathered by PRIDE is regularly shared with all levels of USAA leadership, including the CEO. Understanding the pulse of the work force, including feedback about what's working and what isn't, helps leaders know how to respond and take action.

The benefit of this program is obvious, because the employees know that they have a direct, unfiltered link to the leadership and that their concerns and questions are taken seriously.

Final Analysis

The CEO of USAA, Bob Davis, says that communication is the most important thing USAA does as an organization, but that it's the toughest thing to do well.[2] Research shows that there is a strong statistical relationship between CEO and divisional executive communication and "organizational satisfaction and culture."[3] Based on my limited experience with USAA, I can attest to the validity and creditability of this research. USAA has fostered an environment and culture whereby ideas can flourish and be shared freely within the organization. The employees are fully engaged, and they are absolutely sure about the direction

in which the leadership is taking them because of clear, effective communications.

ENDNOTES

1. "Effective Internal Communication Starts at the Top." [On-line], Available from http://www.employee-communication.com/au/util/doc.jsp?i-86&f=blob2&c=2; Internet: accessed 8 May 2006. Page 27.

2. PRIDE Resource Center. [On-line], Available from http://web.usaa.com/pride/mission.htm; USAA Intranet: accessed 4 May 2006.

3. "Effective Internal Communication Starts at the Top." [On-line], Available from http://www.employee-communication.com/au/util/doc.jsp?i-86&f=blob2&c=2;Internet: accessed 8 May 2006. Page 26.

About the Author

Major Anthony Gilliam is one of two FA45 officers participating in the Training With Industry or TWI program, in his case with United States Automobile Association.

A Global eXchange

by Major Todd Calderwood

Within the company Global eXchange Services (GXS), globalization is not just a trend; it's a way of life. Training With Industry (TWI) provides a fascinating opportunity to bring home lessons of core focus, change management, and inculcation of a global culture.

As a profit maximizing entity, GXS facilitates information exchange between business organizations worldwide. Increased speed, accuracy, security, and reliability streamline systems and supply chains, allowing companies to reduce idle inventory and increase effectiveness and personal productivity. GXS clientele range in size from small businesses to Fortune 500 companies, and the GXS reach literally spans the globe, operating with business bases in more than 20 countries.

Core Focus

Until 2002, GXS thrived as a subsidiary of General Electric (GE). Then the company set out on its own, carrying with it many of the qualities and peripheral activities associated with its colossal business parent. As the nascent organization began to establish its own unique identity, though, it found that some old activities proved inconsistent with new direction.

Large organizations may tend to collect ancillary functions as a consequence of convenience or ever-expanding interpretation of mission, but whatever the cause, these secondary activities drain resources and effort, diluting support of the mission.

Breaking away from a large and well-established parent, even one as successful as GE, allowed GXS to see itself and its mission with new perspective. Management took the opportunity to refocus the company strategically, with a goal of ensuring all assets and activities support the current mission. They identified those core activities and the sub-activities and assets required to sustain them. The remainder, they set about divesting.

One key to success was to take the long-term view in favor of short-term gain. This meant that some of the activities divested were actually profitable at the time—a difficult idea for many to grasp in businesses that are pressured to increase profits quarterly.

There are obvious parallels for the business aspect of the Army. Certainly one of the largest corporate entities in the world, the Army has a tendency to collect, sometimes to actively pursue, efforts other than those that directly support core activities. And while profit is not a goal of the military, money is always an issue in an Army that constantly faces more mission than it can afford. Thus the danger and temptation of accepting a short-term gain at the expense of long-term success is very real.

We must, as an Army, continue to examine our organization with fresh perspective in order to cull sub-optimally focused resources. We must also endeavor to understand the long-term consequences of our resourcing decisions and both plan and execute with the long-range outcomes in mind.

Change Management

Breaking away from GE signaled dramatic change for GXS. With new management came changes in mission, policy, operating procedure, and corporate culture. Successful change of this magnitude is top-down driven. GXS uses an intranet to maintain transparent information flow from top to bottom. Through it they attempt to issue clear guidance with an understanding of the desired end state, then they seek participative change throughout all levels of the organization.

Additionally, the company proactively pursues positive change, seeking to

better itself and its processes as well as those of its clients. The company draws on its multinational bank of employees to carefully consider the multitude of environs in which GXS operates or could operate, and it attempts to integrate itself into its surroundings while still operating within its own structure and established guidelines. Finally, GXS actively attempts to understand the ramifications of external change, then determines how to take advantage of these changes.

Again, there are distinct parallels within the Army. While it won't break away from a parent company as did GXS, internal transformation and external change have left the organization in a position of dramatic and ongoing change. Like GXS, this change is top-down driven. The Army seeks to communicate the direction of this change through strategic documents such as the Army Campaign Plan and Strategic Planning Guidance.

However, due to a number of reasons, some of the guidance and much of the ongoing process is not at all transparent and may lead to significant confusion on many levels. While it understandable that a certain amount of compartmentalization is required in such a highly political environment, clear guidance and communication remain of paramount importance, and within the Army business model, there remains room for improvement.

The Global Culture

The final key attribute that is both relevant to the Army and readily visible within GXS is the company's ability to build an international family. Operating in more than two dozen countries as a business entity, GXS has had to adapt to many cultures, currencies, and customs worldwide and as a simultaneous and interconnected

whole. In order to accomplish this, the company has deliberately inculcated a unique global culture—a true melting pot of unpronounceable names and thick skins. They have intertwined common group goals and unique individual gifts and talents and tied them together with shared technology and philosophy.

Similarly, the Army operates worldwide and in far more countries. The Army has also long been a champion of diversity, incorporating a large portion of its numbers from varied cultures and backgrounds. Yet the Army has also had a tendency to act as an external force upon an environment instead of acting as in internal force within that environment. Unquestionably, there are both times and places when that is exactly the right answer, but a changing world and an evolving mission has demonstrated the need for discernment and the ability to integrate into cultures foreign to our own.

Conclusion

There is nothing new or secret in these observations. Still, it's good to see them applied in the world beyond the military and in such a global context. The TWI experience highlights the need for renewed focus and fresh perspective that keeps the Army relevant and ready regardless of the challenges ahead. Core activities approached with a long-term view, the willful pursuit of positive change in a transparent environment, and the deliberate infusion of a global culture remain key to the continued success of the Army.

About the Author

Major Todd Calderwood is one of two FA45 officers participating in the Training With Industry or TWI program, in his case with Global eXchange Industries.

Training
with Industry

by Ms. Gail Johnson

Want to broaden and enhance your comptroller and financial management skills, consider a 12 month Training With Industry (TWI) assignment within corporate America.

The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) established a civilian, comptroller TWI program that partners with private sector companies (referred to as industry partners). The program provides participants with the opportunity to gain private sector business insights that can be incorporated into Army business practices. The industry partner also gains a seasoned professional who offers diverse experiences and perspectives to client engagements.

This opportunity is open to Department of the Army Comptroller Civilian Career Program (CP 11) careerists at the GS-12, GS-13 and GS-14 grade levels, who have career status and are serving in permanent competitive appointments. Comptroller careerists selected for the assignments are expected to continue in the Department of Army or other Department of Defense (DoD) service for a period equal to three times the length of the training assignment. Following their tenure in a TWI assignment, participants will return to their previous assignments within the Department of the Army.

The CP 11 TWI program is a work experience program intended to provide extensive exposure to managerial techniques and industrial procedures. The main objective is to provide private industry companies the knowledge and experience of how the government does business and how it operates. Both the differences and the similarities between public and private sector financial management are addressed. The process is a two-way experience for the industry and the government: the industry learns about the best practices from the Army and vice-versa.

There are six TWI assignments available and although the actual start date of the assignment is negotiable, the assignment typically starts in July. The six assignment locations are in the Mid-Atlantic region: Washington, DC; Gaithersburg, MD; Baltimore, MD; Richmond, VA; Erie, PA as well as in Libertyville, IL; San Antonio, TX; St. Louis, MO; and Cincinnati, OH.

Industry partners include: Boeing Integrated Defense Systems; General Electric Transportation Systems; Global eXchange Services; KPMG, Limited Liability Partnership (LLP); Motorola Incorporated; United Services Automobile Association; Jones Lang LaSalle and IBM.

Over the course of the 12-month program, Army TWI participants are assigned to work on client engagements as associates under the direct supervision of engagement managers and/or project supervisors at one of the industry partners. While the industry partners should endeavor to schedule the TWI participant on a variety of assignments in multiple lines of business, actual assignments will depend upon the availability, nature, timing, and required skill sets of engagements at the time and are at the sole discretion of the industry partners. However, in no circumstance is the TWI participant assigned to Department of the Army engagements. The specific terms of the program are subject to the agreement between the industry partners and the Army.

Specific goals include understanding of:

- The resource allocation decision making process;
- How company management controls costs, leverages resources, and analyzes risk;
- How company strategic objectives are linked to their definitions of core competencies;
- The resource decisions involved as the company moves from concept to research and development to delivery;
- The determination process for the distribution of funds/resources to company businesses.

The TWI participants must be flexible and bring a professional reputation to the organization; must develop and follow up on the goals established for the program; and must achieve goals and objectives established.

Careerists nominated for the TWI program are evaluated competitively based on information provided pertaining to experience (including outside activities), education, training and/or awards, and motivation for seeking the assignment. Consideration is given to applicants' abilities to (a) analyze, (b) innovate and synthesize, (c) communicate orally and (d) communicate in writing. Careerists must ensure that accomplishment statements for these abilities are addressed in detail. Performance appraisals are considered at time of selection.

For applications to participate in the FY07 TWI program, go to the Civilian Personnel On Line (CPOL) home page, http://www.cpol.army.mil for the application go to: http://cpol.army.mil/cgi-bin/acteds/catalog/see_form3.cgi All nominations must go through the Career Program Manager and local command channels to arrive at the Department of the Army, Comptroller Proponency Office by Thursday, October 19th, 2006.

For more information, contact your Army Comptroller Career Program Manager.

About the Author

Ms. Gail Johnson is a Program Manager in the Army's Comptroller Proponency Office.

Assignment of Army Comptroller Officers to Intergovernmental Agencies

By Lieutenant Colonel Brent Penny

The US Army should begin assigning Comptrollers to other federal government agencies to establish mutually beneficial support relationships with an intergovernmental focus and to provide increased oversight in accounting for Army funds expended outside of the Department of Defense (DoD).

An outgrowth of the wars in Southwest Asia and Hurricane Katrina is an increase in intergovernmental collaborative efforts – especially within the financial management arena. Under the current Army force structure comptroller officers are not assigned to other government agency billets such as Department of State (DOS), Department of Homeland Security (DHS), Department of Justice (DOJ), Department of Energy (DOE) or the Department of Treasury (DOT). Yet, in a deployed environment or when confronting a disaster on US soil it is common practice for comptrollers to operate with financial management personnel from other government agencies. Numerous man hours are lost because comptrollers are unfamiliar with other agency financial management procedures and conversely financial managers from other agencies do not understand the intricacies of the Army financial management system. I witnessed this first hand while deployed to Iraq where I served as the Theater Financial Controller in a North Atlantic Treaty Organization (NATO) responsible for resource allocation, budgeting, purchasing, contracting, and disbursement of $20 million. In this capacity I observed comptrollers were not familiar with DOS or DOJ financial management procedures. This lack of familiarity with intergovernmental financial management procedures does

> assigning comptroller officers to other governmental agencies serves to foster long standing relationships and provide accountability of Army dollars

not lend itself to providing value to either organization and in a combat theater detracts from accomplishing the mission.

Secondly, it is vitally important that the Army properly account for the billions of dollars appropriated to it by Congress. This is even more evident with the Army engaged in prosecuting the war on terrorism primarily in Iraq, Afghanistan and the Horn of Africa. There is no quicker way for the Army to lose the public trust than to lack accountability of funding. The Army is in the midst of developing a new accounting system. In the interim, the Army will continue using its legacy system. However, the legacy system does not possess an interoperability capability with other government agencies. Therefore, because the volume of business with other government agencies is increasing there exists a high probability resource management personnel will develop work-arounds given acknowledged systems incompatibility. Since current intergovernmental financial systems are incompatible, their use will invariably result in a lack of timely information for decision making purposes given potential work-around requirements. Not providing accurate information in a timely manner can lead to erroneous budget projections or worse contribute to loss of life.

In summary, assigning comptroller officers to other governmental agencies serves to foster long standing relationships and provide accountability of Army dollars. Additionally, officers will have the opportunity to become embedded within other agencies which allows them to learn not only about the financial management systems but also the mission and culture of other agencies. Further, they will serve as conduits to pass information in both directions to aid senior leaders in the decision support process. Lastly, by virtue of the fact they are working with other agencies they are better able to try to influence decisions that are in the best interest of the Army.

About the Author

Lieutenant Colonel Brent Penny was formerly assigned as the Chief, Operations and Internal Review, J8 Division, Allied Joint Force Command Naples (NATO).

Army Day 2006

Professional Development Institute:

Becoming an Exceptional Financial Officer

by Mr. Jorge F. Roca

The opening day of the American Society of Military Comptrollers' (ASMC) Professional Development Institute (PDI) began as one of the most exceptional opening sessions in recent memory. The rendition of the National Anthem and the performance of the 3rd Marine Aircraft Wing Band set the tone for the conference in an outstanding manner.

The Internal Control Awareness Campaign approved by the Deputy Secretary of Defense was pre-launched during the opening session of the PDI by the Department of Defense Deputy Chief Financial Officer, Ms. Terri McKay. The Army was the winner of the slogan contest for its entry, "What gets checked, gets done." The winning slogan was submitted by Ms. Helen Goff from the Office of the Assistant Chief of Staff for Installation Management.

The Army Day General Session was preceded by a stirring audio-visual presentation emphasizing the theme of Army Day, "Call to Duty: Boots on the Ground", which served to remind the attendees of our commitment to provide support to the warfighter.

At the general session, Lieutenant General (LTG) Jerry L. Sinn, Military Deputy, Assistant Secretary of the Army, Financial Management and Comptroller (ASA[FM&C]), welcomed approximately 941 Army resource management professionals to the 2006 PDI. LTG Sinn presented numerous awards to outstanding Army Resource Management Program recipients, both at the Major Command level and above, and below the Major Command level.

Major General (MG) Edgar E. Stanton, Director of Army Budget, Assistant Secretary of the Army, Financial Management and Comptroller (ASA[FM&C]), presented an overview of the Army's status of funds, requirements, and the fiscal year 2006 supplemental budget.

The keynote speaker for the general session was Mr. Jeffrey O. Henley, Chairman of Oracle Corporation. He has held this position since January 2004, and was Oracle's Chief Financial Officer and an Executive Vice President for 13 years. Prior to joining Oracle in 1991, Mr. Henley served as Executive Vice President and Chief Financial Officer at Pacific Holding Company, a privately held company with diversified interests in manufacturing and real estate; and as Executive Vice President and Chief Financial Officer at Saga Corporation, a multi-billion dollar food

service company. He also served as Director of Finance at Memorex Corporation.

Mr. Henley's presentation focused on Oracle's business transformation and their evolution. He presented a very informative and thought provoking brief, illustrating Oracle's growth over three decades transforming them into a leading corporation in industry with 230,000 database customers and 30,000 application customers and ranking #1 in database market share, market share.

Oracle leads the way with over 100 Federal Government organizations and 13 of 15 Federal cabinet-level agencies running Oracle applications. Oracle is offered by the major Federal Centers of Excellence as a standard application, and is the largest applications solutions provider in the Federal Government today.

This success was not attained overnight, nor was it easy. Oracle's business transformation started with a question: "How many employees do we have?" and began their transformation during the first quarter of fiscal year 2000. The initial target was $1 billion in savings. Key performance indicators improved dramatically over prior years. Improvement was so successful, Oracle doubled its savings goal in the first year. The lessons learned from this effort became Oracle's normal operational principles. Oracle's business transformation was accomplished through:

- Consolidated & Simplified Information Technology
- Shared Services
- Adopted Self-Service
- Automated Processes
- Leveraged Low-Cost Computing
- Good Governance & Accountability
- Culture of Agility.

As Mr. Henley progressed through his presentation, it was easy to see the similarities of Oracle's growth, transformation, and strategy with the Army's.

In charting the course to become exceptional financial officers, Mr. Henley explained four key factors:

- Become a trusted advisor
- Get to know your constituents and their needs
- Gain deep business insight
- Have an integrated view of the business across commands and departments

In closing, LTG Sinn thanked the Army participants and encouraged them to take advantage of the afternoon workshops. The Army Day general session was an excellent kickoff event for an educational, inspirational and rewarding week.

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Lean Six Sigma:

Creating an Innovative Culture of Continuous, Measurable Improvement

By Ms. Hillari Hawkins

The Army is changing the way it conducts business. Mr. Ronald Rezek is spearheading the transformation. As Director of Continuous Process Improvement in the Office of The Deputy Under Secretary of the Army for Business Transformation, Mr. Rezek is responsible for directing the Army's business transformation process and project improvements, including supervising and integrating the largest full deployment of Lean Six Sigma ever attempted. The goal of the deployment is to accelerate business transformation and innovation by creating a culture of continuous, measurable improvement that eliminates non value-added activities and improves quality and responsiveness for soldiers, civilians, Army families, and the Nation.

Lean Six Sigma is a formalized process improvement methodology. Lean is about the process. Six Sigma focuses on quality. The Army is not the first defense agency to adopt some form of this methodology. The Air Force has been practicing "Lean" while the Navy has used "Six Sigma."

Why is the Army adopting both practices? The bottom line is continuous process improvement. Mr. Rezek stressed the importance of not stopping when a process is improved. Organizations must grade themselves harshly and remember that improvement is a continuous cycle.

Translating processes to projects can be achieved in three rigorous steps. The first is to produce a process list. Leave out items that don't add value to what you're doing. If you can reduce a 40-step process to 20 steps, you reduce the margin for error. The second step is to take the process list and break it out into suppliers, inputs, processes, outputs and customers (SIPOC). This will allow you to find out what's going on in your operation, item by item. Lastly, conduct a value stream analysis of the process. These steps will result in immediate action and rapid improvement.

The PowerSteering Tracking Tool is used to monitor milestones in the improvement process. This project management tool, specifically designed for Lean Six Sigma, allows users to submit ideas; project plans and schedules; control versions; monitor roles and allocations; conduct roll-up benefit reporting; and save and customize reports.

"What that means for everyone is that we can go in and look at what other people are doing and take advantage of their good work. You don't have to waste time by redoing it," said Rezek. "But in addition, they expect you to carry your share and put your projects in and share what you're doing. This is a self-leveling Army and we're all in this together."

There are currently 325 active Lean Six Sigma projects in the Army. Mr. Rezek concluded his presentation by stressing the urgency of making value-added contributions because "our Army exists for one purpose–to fight and win."

The payoff of this Army transformation is an Army which effectively and efficiently provides the necessary forces and capabilities to the Combatant Commanders in support of National Security and Defense Strategies.

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PROGRAM EXECUTIVE OFFICE (PEO) SOLDIER
Making a Difference to America's Most Deployed Combat System

by Ms. Kimberly Wallace

The Army Day theme for the 2006 PDI was "Call to Duty: Boots on the Ground", which emphasized the mission of the financial management community, to provide support to our Soldiers. The Individual Soldier Equipment Army Day workshop reinforced that focus by providing an overview of the funding profile for PEO Soldier, and how those funds provide direct support and equipment to the Soldier in the field.

Mr. Larry Hames, Director, Business Management, began the session by discussing the financial issues relating to procurement. The major activities supported by PEO Soldier include Soldier warrior, Soldier equipment, Soldier weapons, and rapid fielding initiative. FY06 funding is $3.9 Billion, which consists of 55% O&M, 41% Procurement, and 4% RDTE.

Mr. Hames summarized his funding overview by stating that PEO Soldier procures items to directly support the Global War On Terrorism (GWOT).

The second speaker, Lieutinant Colonel (LTC) David Dluzyn, TSM Future Combat Systems, talked about equipment that was used back in Desert Storm and equipment that Soldiers currently use in Iraq. He stated that the ultimate goal is to make soldier equipment lighter, more mobile, and more efficient. He described individual Soldier equipment, such as Electronic Data Manager (EDM), Interceptor Body Armor (IBA), Night Vision Devices, and other individual Soldier gear.

> …the ultimate goal is to make Soldier equipment lighter, more mobile, and more efficient.

The Electronic Data Manager is a windows-based desktop that is carried on the Soldier's thigh. Some of the functions of the EDM include: displays moving maps, imports mission planning data, provides capability for weight aircraft performance planning calculations, and displays checklists, manuals, and approach plates in electronic format.

The Interceptor Body Armor is the most up-to-date body armor available, and was designed to replace the Interim Small Arms Protective Overvest (ISAPO) and the Personnel Armor System Ground Troops (PASGT) vests. Unlike the old vests, the new material protects soldiers by stopping bullets and fragmentation. It also reduces the number and severity of wounds.

Improvised night vision devices allow Soldiers to have complete freedom of movement while maintaining equilibrium in a hands-free application.

The audience received a live demonstration of the Soldier support equipment. LTC Dluzyn concluded by addressing the mission of PEO Soldier, which is "Saving Soldiers' lives, improving the Soldiers' quality of life, and improving the Soldiers' combat readiness."

After the presentation, the audience had the opportunity to view and handle various items of equipment on display. Each workshop participant received a PEO Soldier portfolio book and a keychain.

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GFEBS: The Army's Financial Management System of the Future

by Ms. Monica Malia

The Army's current financial environment is full of integration challenges and opportunities. The Army has hundreds of accounting and financial management systems in place that were developed at different times using various tools to manage taxpayer dollars. Many of the systems were developed locally using MS Excel and Commercial Off the Shelf (COTS) software designed to exercise fiduciary control of funds. The rapid growth and evolution of technological capabilities and reporting requirements has presented a myriad of incompatible financial management systems. Mr. John J. Argodale, Deputy Assistant Secretary of the Army, Financial Operations and Mr. John L. Miller, Acting Deputy Assistant Secretary of the Army, Financial Information Management presented the Army's top financial management priority for the next few years.

A video entitled "GFEBS, Changing the Way the Army Does Business" set the stage for the Army Day workshop, and introduced the Army's financial management system of the future. The workshop continued with a briefing on the General Fund Enterprise Business System (GFEBS) presented by Mr. Argodale and Mr. Miller concluding with a demonstration of the GFEBS system.

What is GFEBS? The General Fund Enterprise Business System (GFEBS) is a web-based Enterprise Resource Planning (ERP) solution accessed through Army Knowledge Online (AKO) enabling the U.S. Army to compile and share accurate up-to-date resource management data across the Army. The goal of GFEBS is to standardize accounting and financial management processes and fully implement the Systems Application and Products (SAP) ERP system by the end of FY 2009. The intent is to put into place an enterprise system with real-time financial data enabling leadership to make strategic business decisions that have a direct and positive impact on the war fighter. Managers and analysts at the operational level will have a better method for tracking financial information through the Planning, Programming, Budgeting, and Execution System (PPBES) process, and perform more technical analysis of data.

Why? We have not received good grades on our capacity to look at what is going on financially and fiscally within the Department of Defense (DoD). Mr. Argodale noted that the Army's finance and accounting domain is comprised of 30-plus year-old legacy systems and there is not an unlimited amount of money. Highlighting the fact that the Army has $30 billion in real property, $120 billion in equipment, and $100 billion in expenses, Mr. Argodale stated, "It is our first opportunity do a little better than we have ever done before."

Mr. Miller conveyed to the financial managers his experience in federal financial management: "We have been chasing data for over 30 years. We can do better. I want to move from doing detective work, to the data is there. Let's analyze." The primary reasons are to gain efficiencies, and to implement the Congressional mandate expressed in the Defense Appropriation Act of 2002 requiring DoD to prepare an auditable financial statement within seven years. Subsequently, the Office of the Secretary of Defense (OSD) issued Management Initiative Decision (MID) 929 selecting GFEBS as the system for integrating the diverse Army financial information.

During the briefing, Mr. Miller described the GFEBS governance as a two-process agreement. It is both a financial system and an acquisition program, with two sets of rules. The chart below depicts the GFEBS Governance Board and the steps required to get any change to the GFEBS financial system approved. Starting at the bottom left of the chart, the change process begins with a White Paper from the Subject Matter Expert (SME) given to the Council of Colonels. It is then processed up through the pyramid, touching on each office and ending with the Secretary of the Army and the Chief of Staff of the Army. On the program acquisition side, the process begins with the Program Executive Office (PEO) Enterprise Information System (EIS) office and progresses through to the Office of the Assistant Secretary of Defense for Networks Infrastructure Integration (ASD NII). Overseeing all of DoD's financial management programs is the OSD Business Transformation Agency. Close coordination is carried throughout the process to ensure that every step is proper and correct.

Within the Assistant Secretary of the Army (Financial Management and Comptroller) (ASA[FM&C]), the Deputy Assistant Secretary of the Army for Financial Information Management (DASA-FIM) was established in February 2006 with responsibility to provide the Army decision makers with real time cost, performance data, estimates, and analyses at all levels. The office of the DASA-FIM is organized into the Headquarters, the Enterprise Integration Division, the Information Technology Services Division, and the Functional Integration Division.

When? Full implementation will start in 2009. GFEBS is packaged in three phases:

- Technical Demonstration of GFEBS, Release 1.1
- Blueprinting, Release 1.2
- Fielding, Release 1.3

Mr. Miller explained that user testing was taking place at the Fort Jackson Installation

Management Agency (IMA) during 29 May–9 June 2006. SME's from HQDA, Army Commands and installations, and DFAS worked on reports, interfaces, conversions, and extensions. Ultimately, GFEBS will serve as the single and authoritative source for the Army's financial reporting, and Standard Finance Systems (STANFINS) functionality will be replaced by GFEBS for the Fort Jackson IMA, supporting IMA offices, and supporting DFAS locations in October 2007. In the technical demonstration phase, the focus is on financial reporting of plant, property and equipment in the general ledger account. As Mr. Argodale stated, "Knowing the total value of the Army's capital assets increases our ability to make better decisions." This is very important as we continue to transform the Army and implement recommendations of the QDR

and BRAC, and continue to employ other legislative business practices that generate funds (i.e., Enhanced Use Leasing, Sale and Outlease, and Credit Card Rebates/Refunds).

Mr. Miller explained that the keys to our success are, "populating the Army portfolio and developing the management solution. On 10 July, the ASA(FM&C) issued a memo directing the Army Commands to provide three to five individuals with varied subject matter expertise to support development of the Army's GFEBS program. The developmental assignments, which will be located in DASA-FIM, will begin in August 2006 and extend for up to one year. HQDA will fund all associated TDY and salary costs. During 3rd Quarter, FY07, the blueprint will be tested and go live in October 2007 upon passing the test at Fort Jackson.

The current fielding plan is to implement regionally, starting with the Southeast, Northeast, Central, and Western part of the United States, and then overseas. A team of experts will remain for 60–90 days, or as long as needed as each location is fielded. The same expertise will be available at year-end closing.

In closing, Mr. Miller stated, "I am committed and need all of you to be committed. It will be a worthwhile effort." More information on GFEBS can be found at www.gfebs.army.mil

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GFEBS Governance
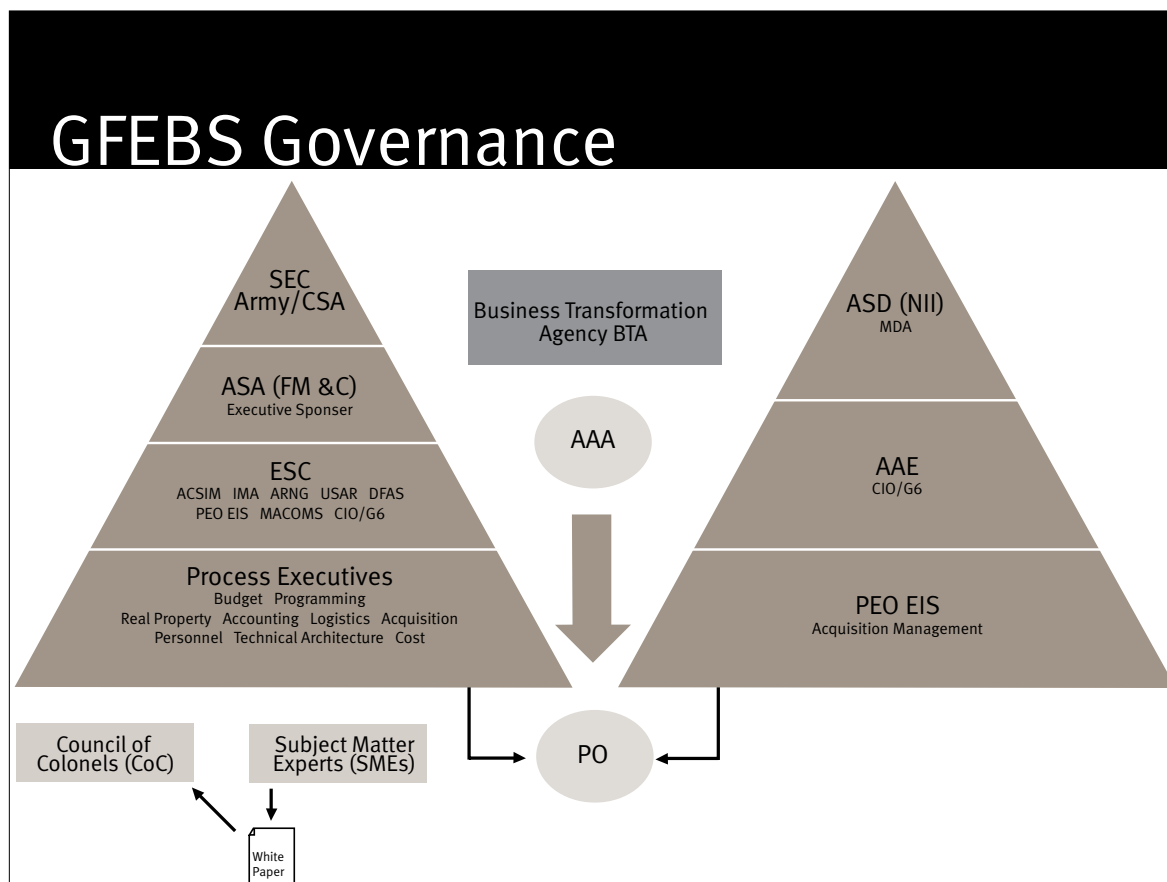
Contractor Employees in the Federal Workplace

by Mr. Matt Reres

This is part one of a two part article. The next issue of Resource Management will highlight the specific citations and authorities regarding this subject.

"Doing more with less!" This is the proverbial mantra of each elected administration. And to achieve this stated goal often compels an administration to reduce the number of government employees by whatever means is most readily available—hiring freezes, buy-outs, competitive sourcing, etc., have all made their rounds, and each has enjoyed a measure of success.

Yet, at the same time that the number of civil servants has declined, the duties performed by these government employees have usually expanded. Moreover, paralleling the decline in the numbers of civil servants has been the steady migration of military personnel back to more traditional military duties. With fewer hands to perform the duties generated by each new law and policy, other personnel sources have arisen to fill the expanding void caused by the disappearance of civil servants and the reassignment of military personnel. These sources are primarily from the private sector—contractor employees in the federal workplace!

The number of contractor employees operating in the federal workplace has grown exponentially over the last decade. And this phenomenon has provided exploding employment opportunities for those from the retired roles in both the civilian and military communities. No one is surprised today that during one pay period, civil servants or military personnel are serving in uniform, and the next pay period they are contractor employees in the federal workplace, often returning to their former positions to perform their identical duties in the same manner as they did before they "retired."

Although nothing seems to have changed by this transition, in fact, a tectonic shift has occurred. And what is fundamental to this movement is that the allegiance of the employee has swung from the United States of America to that of a business interest. All military personnel and civil servants swear an oath of allegiance to the United States before they undertake the duties of their position. On the other hand, employees that work for a business give their allegiance to that business—and the primary purpose of a business is to produce a profit.

Granted, nothing is inappropriate for a business to seek a profit. That is the primary purpose of a business—to produce a profit—but that goal is far removed from the purposes of our government. Central to this difference is the approach that federal workers must employ with respect to their official duties versus those employees from the private sector whose focused approach is vastly different. Before government employees may act, they must first identify the legal authority for their actions, and they must do this before they take action. It is their oath to the United States that compels this certainty to identify the legal basis for what they do. On the other hand, the employee of a contractor has no such duty; instead, the employee of a contractor must ascertain only that what is undertaken violates no legal prohibition or restriction. The distance between these two approaches is light years apart. To suppose that there is no real difference, that the distinction between a federal employee and a contractor employee is only marginal, is to suggest that infusing Type B negative blood into a person with Type A positive blood will have no deleterious consequences, when, in fact, it is fatal.

Although some types of contractor employees in the federal workplace present no issues to the Federal government, many other contractor employees who work in the federal workplace are cause for concern. Those whose employment activities are of no moment are those performing custodial, clerical, maintenance, food services, and construction. But those contactor employees who occupy desks next to federal employees, who give orders, directions, and assign tasks to federal employees are, in fact, an issue—just as those contractor employees in the federal workplace that we direct, control, and supervise are an issue for us.

The reason for a lack of concern with respect to the former type of contractor employees is that their performance of contractual duties is of a non-personal services nature. Cause for concern with respect to the latter type of contractor employees is that their performance of contractual duties may involve personal services, thus giving rise to personnel, fiscal, and ethics issues. The following statutory references illustrate this.

31 United States Code § 1342. Limitation on voluntary services

An officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services for either government or employ personal services exceeding that authorized by law except for emergencies involving the safety of human life or the protection of property. This section does not apply to

a corporation getting amounts to make loans (except paid in capital amounts) without legal liability of the United States Government. (emphasis added)

31 United States Code § 1349. Adverse personnel actions

(a) An officer or employee of the United States Government or of the District of Columbia government violating section 1341(a) or 1342 of this title shall be subject to appropriate administrative discipline including, when circumstances warrant, suspension from duty without pay or removal from office.

31 United States Code § 1350. Criminal penalty

An officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating section 1341(a) or 1342 of this title shall be fined not more than $5,000, imprisoned for not more than 2 years, or both.

As is apparent, Section 1342 has Anti-deficiency Act (ADA) implications because of 31 United States Code Sections 1348 and 1349. A clear reading of these two statutory provisions makes it clear that those responsible for acceptance of personal services may be responsible for an ADA violation.

To better understand whether a personal services contract may be present, we should consider the Federal Acquisition Regulation (FAR), FAR 37.104, Personal Services Contracts, which provides:

(a) A personal services contract is characterized by the employer-employee relationship it creates between the Government and the contractor's personnel. The Government is normally required to obtain its employees by direct hire under competitive appointment or other procedures required by the civil service laws. Obtaining personal services by contract, rather than by direct hire, circumvents those laws unless Congress has specifically authorized acquisition of the services by contract.

(b) Agencies shall not award personal services contracts unless specifically

authorized by statute (e.g., 5 U.S.C.3109) to do so.

(c) An employer-employee relationship under a service contract occurs when, as a result of (i) the contract's terms or (ii) the manner of its administration during performance, contractor personnel are subject to the relatively continuous supervision and control of a Government officer or employee. However, giving an order for a specific article or service, with the right to reject the finished product or result, is not the type of supervision or control that converts an individual who is an independent contractor (such as a contractor employee) into a Government employee.

Each contract arrangement must be judged in the light of its own facts and circumstances, the key question always being: Will the Government exercise relatively continuous supervision and control over the contractor personnel performing the contract. The sporadic, unauthorized supervision of only one of a large number of contractor employees might reasonably be considered not relevant, while relatively continuous Government supervision of a substantial number of contractor employees would have to be taken strongly into account (see (d) of this section).

(d) The following descriptive elements should be used as a guide in assessing whether or not a proposed contract is personal in nature:

(1) Performance on site.

(2) Principal tools and equipment furnished by the Government.

(3) Services are applied directly to the integral effort of agencies or an organizational subpart in furtherance of assigned function or mission.

(4) Comparable services, meeting comparable needs, are performed in the same or similar agencies using civil ser-vice personnel.

(5) The need for the type of service provided can reasonably be expected to last beyond 1 year.

(6) The inherent nature of the service, or the manner in which it is provided, reasonably requires directly or indirectly, Government direction or supervision of contractor employees in order to:

(i) Adequately protect the Government's interest;

(ii) Retain control of the function involved; or

(iii) Retain full personal responsibility for the function supported in a duly authorized federal officer or employee.

(e) When specific statutory authority for a personal service contract is cited, obtain the review and opinion of legal counsel.

(f) Personal services contracts for the services of individual experts or consultants are limited by the Classification Act. In addition, the Office of Personnel Management has established requirements which apply in acquiring the personal services of experts or consultants in this manner (e.g., benefits, taxes, conflicts of interest). Therefore, the contracting officer shall effect necessary coordination with the cognizant civilian personnel office.

The Federal government classifies and pays individuals who provide services as employees, unless the nature of the services and other circumstances satisfy the criteria for independent contractor status. Section 3121(d)(2) of the Internal Revenue Code (IRC) provides that the term "employee" means "any individual who, under the usual common law rules applicable in determining an employer-employee relationship, has the status of employee." Administrative boards and federal courts usually ignore contract labels, focusing instead on the facts and circumstances of each situation and analyzing specific characteristics, such as behavioral and financial control and the relationship

between the employer and the individual performing the services, before making a determination whether the individual is classified as an employee or an independent contractor under common law rules.

The reason that proper classification is important is because if the veil of independent contractor status is pierced and an administrative or judicial determination is made that the contractor employees are, in fact, federal employees, such a determination may allow for these "federal employees" to recover some of the plethora of benefits available to federal employees that had been denied them during the entire period that they were misclassified. Considering the burgeoning numbers of contractor employees in the workplace, the costs to agencies misclassifying contractor employees could be massive.

That said, as soon as an employer-employee relationship is established, the employer is required to withhold the appropriate income and employment taxes and to provide certain benefits. In the civilian sector, penalties are imposed in instances where the employer fails to properly withhold such taxes.

Before the performance of services begins, federal officers contracting for these services should assess the relationship with the individual providing the services to ensure that individuals hired or contracted to perform these services are properly classified as employees or as independent contractors. A contracting officer's misclassification could result in substantial problems for both the Federal government and the individual. The duty of the federal government is to determine an individual's status as an employee or an independent contractor.

Government Employee–In general, an individual who performs services subject to the federal government's right to direct and control the work is classified as an employee. The Federal government may allow an employee considerable discretion and freedom of action, provided that the federal government has the legal right to direct or control the work.

Employee of an Independent Contractor–In general, an individual who performs services for the Federal government, but whose employment is actually with an independent contractor, may work in a federal workplace with federal employees, as long as the federal government controls or directs only the results of the work of the employee of an independent contractor, rather than the means and methods of accomplishing those results.

Unless otherwise exempt by the law, the Federal government is required to withhold certain deductions from the salaries and wages of its employees. Further, the Federal government is often required to provide benefits to its employees. If the individual is classified as an employee of an independent contractor, the Federal government has no responsibility for withholding income and employment taxes, that duty falls to the independent contractor. However, the Federal government is responsible for reporting compensation over $600 paid to individuals who are classified as employees of independent contractors on Form 1099-MISC, Miscellaneous Income to the Internal Revenue Service (IRS).

In theory, the IRS may assess penalties for misclassification of an individual providing service to the federal government. If an individual is determined by the IRS to be an employee of the Federal government instead of an independent contractor, the Federal government may be held responsible for the individual's employment taxes, penalties and interest assessed for failing to withhold income and employment tax, and a separate misclassification penalty. As provided under IRC Section 3509, an employer is liable for 1.5 percent of wages paid if the employer erroneously treats the individual as a non-employee for Federal income tax withholding purposes, and the penalty increases to 3 percent if no information returns were filed. The department will be responsible for the payment of additional taxes, penalties, and interest assessed.

However, liability for Federal employment taxes may be relieved under

Section 530 of the Revenue Act of 1978, also commonly referred to as Section 530 Safe Haven Relief. Section 530 Safe Haven Relief protects employers who have consistently treated workers as independent contractors. The rule provides that an individual who has not been treated as an employee will not be reclassified as an employee if (1) the employer had a reasonable basis for failing to treat the individual as an employee, (2) the employer failed to treat the individual or any individual in a similar position as an employee for payroll tax purposes, and (3) the employer has filed all required Federal tax returns, including information returns, in a manner consistent with the individual not being an employee.

Prior to 1987, the IRS used twenty common law factors derived from case law and rulings in determining whether an individual performing services is classified as an employee or an independent contractor. However, all factors were unlikely to be pertinent or present in all situations. Also, as previously mentioned, all the facts and circumstances of each case needs to be considered. Additional relevant information that assists in determining the extent to which the individual or employer for whom services were performed retained the right to control should also be considered.

Therefore, although the twenty common law factors referenced below are still of importance, another way of analyzing the pertinent factors is to focus on (1) behavioral controls, (2) financial controls, and (3) the relationship between the employer and the individual performing services. These three main categories are described below and additional detailed information may be found at IRS Publication 1779, Independent Contractor or Employee and at IRS Publication 15-A, Employer's Supplemental Tax Guide under the "Employee or Independent Contractor?" section.

Behavioral Control

Behavioral controls are evidenced by facts that determine whether the employer has a right to direct and control how the

individual actually performs the tasks for which the individual is hired, including the type of instructions the employer gives the individual and how the individual receives training for providing such services.

Financial Control

Financial controls are evidenced by facts that determine whether the employer has a right to direct or control the financial/business aspects of the individual's business activities, including (1) the extent to which the individual is reimbursed for business expenses, (2) the extent of the individual's investment in the business and whether a profit or loss is realized, (3) the extent to which the individual offers similar services to the relevant market, and (4) how the employer pays the individual, such as hourly, salary, or a flat fee.

Type of Relationship

The relationship between the individual performing services and the employer is evidenced by examining how the employer and the individual perceive their relationship, including (1) whether a written contract exists explaining the employer's and individual's intent, (2) the provision of, or lack of employee benefits, (3) the permanency of the relationship, (4) the right to terminate the relationship, and (5) the extent to which services are performed that are a part of the employer's regular business activities.

Twenty Common Law Factors

Revenue Ruling 87-41, 1987-1 Cumulative Bulletin 296 (Rev. Rule 87-41) provides the list of twenty common law factors to assist in determining whether an individual should be classified as an employee or an independent contractor. These factors are intended as guidelines, rather than as strict rules. In fact, Revenue Rule 87-41 states, "The degree of importance of each factor varies depending on the occupation and the factual context in which the services are performed."

In the chart below are four basic questions that capture the essence of the twenty common law factors, which may assist in clarifying the determination of employment status:

If the answer to any of these four questions is YES, then the individual providing the service in question most likely could be classified as an employee of the Federal government.

If the answers to all of the above four questions are NO, an independent contractor relationship may be established. If an individual believes that the Federal government has assessed an inappropriate determination, he or she may submit Form SS-8, Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding to the IRS. While waiting for the IRS's determination, in which the IRS notes in the instructions for Form SS-8 that this process takes approximately four months, the individual provider will be paid as an employee. If the IRS determines the correct classification to be an independent contractor, the taxes withheld will be remitted to the individual.

The IRS lists the twenty factors in Revenue Ruling 87-41. Each factor's abbreviated title follows:

Training
Integration
Services Rendered Personally
Hiring, Supervising, and Paying Assistants
Continuing Relationship
Set Hours of Work
Full Time Required
Doing Work on Employer's Premises
Order or Sequence Set
Oral or Written Reports
Payment by Hour, Week, Month
Payment of Business Expenses
Furnishing of Tools
Significant Investment
Realization of Profit or Loss
Working for More Than One Firm Instructions
Services Available to Public
Right to Discharge
Right to Terminate

Yes	No	Question
☐	☐	Does this individual provide essentially the same service as an employee of the Federal government?
☐	☐	Has an individual previously been paid as a Federal government employee to perform essentially the same tasks?
☐	☐	Does the Federal government exercise the type of control to establish how the individual will perform or accomplish the service?
☐	☐	Will the individual supervise or direct Federal government employees as part of the service provided?

However, the IRS in recent years has diminished reliance on the twenty common law factors and instead increased emphasis on the three-category approach, identified above, to determine the status of a particular worker. The following excerpt from the IRS website (www.irs.gov) explains the new approach in general terms:

Where there is no controlling statute, a worker's status is determined by applying the common law test, which applies for purposes of FICA, FUTA, Federal income tax withholding, and the Railroad Retirement Tax Act. A worker's status under the common law test is determined by applying relevant facts that fall into three main categories: behavioral control, financial control, and the type of relationship itself. In each case, it is critical to consider all the facts, as no single fact provides the answer.

Behavioral Control

These facts show whether there is a right to direct or control how the worker does the work. A worker is likely a federal employee when the Federal government has the right to direct and control the worker. The Federal government has no need to direct or control the way the work is done—as long as the actual employer enjoys the right to direct and control the work. For example:

Instructions—If an individual receives extensive instructions from the Federal government on how work is to be done, this suggests that the individual may be an employee of the Federal government. Instructions can cover a wide range of topics, for example: how, when, or where to do the work, what tools or equipment to use, what personnel to use to help with the work, and where to acquire supplies and services. If an individual receives less detailed instructions about what should be done, rather than how it should be done, the individual may be an independent contractor. For instance, instructions about time and place may be less important than directions on how the work is performed.

Training—If the Federal government provides the individual with training about required procedures and methods, this suggests that the Federal government wants the work done in a certain way, and the individual may be an employee.

Financial Control

These facts may illustrate whether there is a right to direct or control the resourcing aspect of the work. For example:

Significant Investment—If there is a significant investment in the work, an independent contractor status may exist. While there is no precise dollar test, the investment dollar amount must have some significance. However, a significant investment alone is unnecessary to establish an independent contractor status.

Expenses—If the Federal government refuses to reimburse a worker for some or all of his/her business expenses, then the worker may be an independent contractor, especially if the unreimbursed business expenses are significant.

Opportunity for Profit or Loss—If the individual worker can realize a profit or incur a loss, this suggests that he/she may be in business for him/herself and that the worker may be an independent contractor.

Relationship of the Parties

These are facts that illustrate how the Federal government and the individual worker perceive their relationship. For example:

Employee Benefits—If the individual workers receive benefits, this is an indication that they are employees. If they receive no benefits, however, they could be considered either as federal employees or as employees of an independent contractor.

Written Contracts—A written contract may indicate what the individual and the Federal government intend. This may be critical, particularly if it is difficult, or impossible, to determine status based on other facts.

The charts which follow below identify some of the problems that may arise because of contractor employees working in the federal workplace. In the past, the definition of inherently governmental was strictly applied to a wide-range of Federal government activities that demanded performance by federal employees. This definition of inherently governmental has been modified over time, thereby allowing more and more contractor employees into the federal workplace. Taking this perspective to its logical extreme has caused some to suggest that as long as a handful of federal employees remain to make the "final decisions," every other position in the federal government could be occupied by a contractor employee. Whether that day shall ever dawn, it is certain today that vast numbers of contractor employees now occupy positions once held by federal employees. This association gives rise to many of the ethics and fiscal issues, identified in the charts below that will continue for as long as federal employees and contractor employees continue their cohabitation.

About the Author

Mr. Reres is the Deputy General Counsel (Ethics & Fiscal) in the Army's Office of the General Counsel.

Fiscal Review of
Balkans Operations Yields
Efficient Operations and Cost Avoidance

by Mr. Grant Strzelczyk and Lieutenant Colonel Roger A. Casillas II

During fiscal year 2006 (FY2006), command and staff elements in the United States Army Europe and Seventh Army (USAREUR) used fewer fiscal resources to perform the revised Balkans Peacekeeping missions than were required in prior fiscal years. This reduced fiscal requirement was achieved through a deliberate and detailed analysis of the mission by the deployed commands and the USAREUR staff. Together, they developed a plan that would achieve measurable goals, and then executed that plan.

The USAREUR Commander issued broad guidance to the USAREUR and Task Force (TF) staffs to reduce "costs" by $50 million in FY 2005. This change in the middle of the year was expected to have even greater cost avoidance in the following year. He framed his guidance to the staff with a requirement that they "...evaluate requirements against the new mission. Do not adjust from where we are now." This guidance was critical in achieving the goal of reducing the fiscal requirements. He also stressed the need to achieve a coordinated common goal, and not to look solely at individual programs. Since the direction was to conserve resources across every element of the command, the cost of doing business became a critical consideration in the decision making process.

Within a month of the initial guidance, the USAREUR Commander's $50 million goal was revised upward to $70 million and the year end result achieved was $100 million. The key to reducing the requirement was a coordinated effort developed with input from elements throughout the USAREUR area of responsibility (AOR). This laid the foundation for success together with command emphasis and a supportive,

open, truthful, direct dialogue with known measurable and realistic milestones. It was evident that the goal of reducing outlays by $50 to $70 million (15% of annual budget) could be met only by working towards this common objective.

The main course of action was finding more cost efficient ways to accomplish the mission. Common methods to achieve success included combining transportation programs, consolidating communications nodes and links, and performing services on a less frequent basis.

The need to redesign "the way we do business" was essential because of a $405 million reduction in resources allocated to USAREUR between the Program Objective Memorandum (POM) file for FY 2005, the total appropriated by the Congress for the Balkans, and elimination of all funding for Bosnia in FY 2006. The end result was an initial identified shortfall of $53 million.

While NATO's Stabilization Force (SFOR) mission ended in December 2004, an Enduring Mission in Bosnia and Herzegovina (EM-BiH) continued, albeit without funding from the Department of the Army (DA). Although the EM-BiH troop contingent is less than one-tenth the size of the SFOR mission, the cost of the

operation is still about one-fourth of the amount expended for the former SFOR mission. This difference is due to resources required for aviation, communications, over-ocean transportation, and maintenance of the force's infrastructure and equipment. Clearly, troop population is not the main cost driver.

The EM-BiH mission was adequately funded in FY 2005 with one-quarter of the funding for the former SFOR mission. However, the command recognized that FY 2006 would be the critical year given the continuation of that mission and no funding allocation.

The process to achieve the desired result was led by the USAREUR Deputy for Operations (G3) in close coordination with the Deputy for Resource Management (G8) and all other staff sections.

The staff set initial goals for every command and staff element based on a simplified analysis of contracts and program elements. Command and staff elements used these goals as a "benchmark" of required actions. In most cases, the effort to evaluate requirements against the "new mission" yielded even greater cost avoidance measures and actions. This

approach avoided using either a "salami slice" or firm individual targets because neither would achieve the desired result of producing a redesigned, coordinated, cross-functional, efficient organization.

The USAREUR G3 "Battle Staff," in close coordination with the deployed TF's staff, served as the springboard for action. This group of officers, soldiers, and civilians work with the most current and relevant information, and their established working relationships enabled quick assimilation of this new mission. They also regularly coordinated with other key members of their command or staff section, which permitted rapid assemblage of critical information.

The Battle Staff was given one month to develop a plan and report back to the G3 with current results. Each staff element then was required to brief the USAREUR G3/TF Commander on the cost efficiencies it had found, actions taken, and missions that would go unfunded if no additional resources were provided. It was during these briefings that cross-functional or horizontal communication began. Each staff element gained a better understanding of the requirements for which its

counterparts were responsible, which helped to coalesce a program that satisfied all requirements.

These briefings led to discussions across the staff, often resulting in lucrative ideas on ways to consolidate requirements. For example, the Deputy for Personnel (G1) and Deputy for Logistics (G4) worked to consolidate transport of AAFES intra-theater stocks with the G4's regular re-supply transportation network, "the Balkans Express." This action resulted in over $3 million in cost avoidance. At the end of this first review, however, USAREUR still had a significant shortfall of $30 million. Even so, the cycle of assessing current status, setting goals, taking action, and reporting had been established.

Our biggest single expense was the Balkans Support Contract (BSC) managed by the USAREUR G4. It became necessary to engage the contractor (Kellogg Brown and Root [KBR]) for more ideas on cost reductions. The G4 informed the contractor of the Command's funding constraints and asked for assistance in developing recommendations to reduce the level of effort in various services in order to "live within the budget." To more

- The command must plan to execute within the published resource guidance. When programs are recommended, a "bill payer" must also be identified for a "zero sum gain."

- Commanders and action officers must be held accountable for their programs. When less costly options are proposed, the execution officer must take action or defend his alternative.

- Use command discretion and execute the operation assuming some reasonable risk.

- Aggressive individuals with radical ideass are necessary to stimulalte change.

- Information must be open and available for all commanders and team members. All cards must be "on the table" so that all concerned see the interrelationship of missions and their fiscal impact.

- The G3 & G8 must work closely with a common outlook and coordinated plan.

- The most significant cause for fiscal reduction wass due to a reduced mission. The commander and staff then refined their operations to increase efficiency and conserve resources.

closely align the goals of the contractor with those of the government, KBR was rewarded with a cash incentive (using the contract award fee process) for identifying ideas that resulted in significant cost savings to the government.

Even with excellent horizontal communication across the staff, USAREUR had not reached its goal of reducing costs by $70 million. Consequently, the USAREUR Battle Staff next conducted a week-long site visit in the Balkans. While it is common for USAREUR staff experts periodically to inspect their areas of responsibility, this effort was unique in that these functional experts simultaneously conducted this site visit. The synergy of this group effort produced immediate savings of more that $5 million, as well as several good ideas that were taken back for further research. Examples of success on this trip included reducing shuttle bus service, consolidating intermediate aviation maintenance in Kosovo, eliminating stocks stored in Bosnia for potential operations, consolidating "long haul" communication links (satellite and terrestrial micro-wave), reducing "help desk" support hours, consolidating MWR facilities, reducing "Stars and Stripes" distribution, eliminating the deployed Central Issue Facility (CIF), consolidating Test Measurement and Diagnostic Equipment (TMDE) calibration with the Kosovo facility, changed the contract guard force composition and numbers, revised linguist support from dedicated individuals to the use of a linguist pool, and changing the Internet Service Provider (ISP) used for the MWR Cyber Café.

The team's mantra was that "there are no stupid ideas." Rather, it was important to "brain-storm" and investigate all suggestions. Only by looking hard and long from a new point of view could we expect to operate within the fiscal resource reductions that were being passed to USAREUR. The team also was held accountable for its execution of current operations. The command could not afford to operate in a "business as usual" environment. So, if a reasonable and logical

Assess Status

Set Goals

Take Action

Report Results

suggestion was made that potentially would conserve resources, the organization executing "the old way" had to adjust or defend why the change could not be made. We believe that further fiscal reductions are possible, but they will require legislative changes. For example, legislation is needed to allow military manpower to be included in the calculation of Equal Value Exchange (EVE) transactions through the Acquisition and Cross Servicing Agreement (ACSA) process (Title 10, United States Code, sections 2341-2350). The United States is reimbursed for the logistical support it provides to other nations by allowing the use of allied military manpower to offset logistical support. In a peacekeeping environment, this enhances the commander's ability to accomplish the mission while simultaneously conserving resources. The most notable example is an estimated $10-15 million that could be conserved using allied forces as guards rather than employing a civilian guard force of armed expatriate personnel.

As of April 2006, USAREUR has reduced its shortfall in the current fiscal year from $70 million to $13 million. Each

week, the Battle Staff continues to meet and explore cost saving ideas.

Good ideas implemented today save resources tomorrow. It is important to note, however, that the later in the fiscal year cost savings initiatives are implemented, the more difficult it is to realize savings in that fiscal year. Conserving resources and maximizing their effectiveness is not a process that can be established and implemented over night. In fact, the lag time between implementation and realization of savings can be as long as six months.

Throughout this major business transformation effort, our key to success has been the involvement of our senior leadership, who made efficient operations a top priority and set measurable goals for the commander on the ground and all support staffs to achieve.

About the Author

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Defense Comptrollership Program Commencement

Syracuse University

Mr. Patrick Fitzgerald
The Auditor General
United States Army Audit Agency

4 August 2006

Associate Provost Hurd, Dean Stith, Colonel (Ret.) Berg, Associate Director Gerard, Ms. Placek, awardees, distinguished guests, staff and faculty, graduates, family members, and friends—Good Morning. I know this is definitely a Good Morning for the 29 dedicated graduates we are here to recognize today! It is a pleasure and truly an honor to be here with you to recognize this very significant accomplishment and notable milestone in your careers. I salute you for completing the program and earning not one, but two master's degrees, an Masters of Business Administration and an Masters of Public Affairs. Congratulations!

Considering the current challenges facing our country and the Department of Defense (DoD), you will certainly have the opportunity to put all the knowledge and expertise you gained while earning these degrees to great use and make a real difference in our department.

In preparing my remarks, I reviewed some prior speeches given at the Army Comptrollership Program. In a speech given nine years ago by Mr. Gene Reardon, who was then The Auditor General, he said the following:

"Today your Army operates in a rapidly changing political, economic and technical world that remains dangerous. As recently as May 1997, the United States Army had more than 26 thousand Soldiers deployed in 100 countries for the support of ongoing operations in places like Bosnia, Hungary, Kuwait, the Congo and Haiti, to name but a few…."

I'm sure that sounded rather significant then…and it was. But in retrospect, the 1997 world for DoD was a much simpler world than the world we find ourselves in today. The most obvious changes are the result of our experiences during the terrorist attacks on 9/11 and our subsequent involvement in the Global War on Terrorism and the rebuilding of Iraq. These efforts are ongoing. As of July 2006, our Army had about 150,000 Soldiers deployed in Afghanistan, Iraq, and Kuwait alone—more than five times the total number of deployed Soldiers

just nine years ago. And who knows what it will take to resolve the current situation in Lebanon? The challenges that DoD faces will become even more complex and demanding in the future, which is why sound financial management is more important than ever.

We all recognize that managing DoD resources is important, but it is absolutely critical in today's environment. As you graduate today, you are charged with the responsibility to assist DoD in getting the most for its money. Our leaders will be depending on you to make smart decisions in managing resources in order to accomplish all that DoD has been asked to do. As you return to the workforce, you have an excellent opportunity to apply your new skills and knowledge to improve DoD operations.

Most of you don't have audit responsibilities, but you and I are both on the same team. We all want our military to excel and our Soldiers, Sailors, Marines, and Airmen to have the absolute best support possible. And we both want to do our best

to make sure the military operates effectively and efficiently.

The Army Audit Agency has regularly focused on financial management issues. I have been with the agency over 25 years, and I am proud of the agency's accomplishments in identifying ways to improve Army operations and to save the Army money. As a result of our audits over the last three years, we reported about $5 billion in monetary benefits for the Army. So far in FY 06, our audits include more than $1 billion in monetary benefits. We are always looking for ways to improve operations and get the most bang for the buck.

Most of you will be working financial management issues in your organizations. You have a special opportunity to identify additional ways to improve the effectiveness and efficiency of military operations. The need for innovative financial managers is especially vital right now.

At the beginning of the war in Iraq, funding was adequate, and Congress readily passed supplemental funding bills to support Operations Enduring

Freedom and Iraqi Freedom. As the war has continued, the funding environment has changed. It is now reaching the critical stage, and has our senior leadership's strong attention and emphasis.

The Army Chief of Staff Peter Schoomaker, told a congressional committee in June that Defense spending during World War II neared 40 percent of Gross Domestic Product; it is now 3.8 percent and shrinking. He stated, "in this extraordinarily dangerous time for the nation, we can—and must—reverse this trend."

He stated that our Soldiers are serving in defense of our Nation around the globe, deployed in more than 120 countries. Since 9/11, more than one million American Soldiers have served in Iraq and Afghanistan. Many are returning for second or third tours. Our Soldiers understand that this is a struggle in which we must prevail. Despite hardships and dangers, they continue to answer the call to duty and enable America to put "boots on the ground"—the nation's most visible signal of its commitment to defending our national interests.

He went on to say that to be successful, these Soldiers deserve the best equipment, training, and leadership our Nation can provide. Soldiers and their families deserve our support. He concluded by saying "it is my belief that we can and must afford it."

That is why sound financial management is absolutely critical today. We are in some tough times and they will continue for the foreseeable future. Talk about an opportunity—the challenges have never been greater!

But it is more than just financial management. Let me mention just a few other challenges facing us all:

- As leaders, you will be part of the efforts to transform our military while, at the same time, balancing current programs with the competing priorities of the future force.

- We are in the throes of changing to a new personnel system—the National Security Personnel System, or NSPS. This is going to require time and

training for everyone to transition from a system that has been in place for over 50 years to a system with all new procedures and requirements.

- The impending wave of baby boomer retirements means that a lot of institutional knowledge is on the verge of leaving the military. This is not all bad because it paves the way for new people with new ideas to come in—and as graduates you are positioned well to fill this need. But with continued downsizing of the workforce, there are challenges in getting enough new talent to make the profound changes that we need.

- Implementing Lean Six Sigma offers a real opportunity to streamline processes, but we need to be sure that we apply it correctly and embrace it completely to get the maximum benefits.

- We also have the issue of Base Realignment and Closure, and the related effects and costs of relocating, downsizing, and closing offices.

The list could go on but you get the point—the challenges are many.

In conclusion, graduates, I know you are up to the task. Your efforts during the past 14 months are proof of your abilities and dedication. Your new knowledge will directly impact the success of our future military. You will be limited only by the limit you place on yourself. Get excited about what you do. You have been challenged while here at Syracuse and have met that challenge. You will now be challenged in your jobs. Meet that challenge with passion and instill that passion in the people you work with. Don't accept the status quo. Don't be satisfied with "good enough." You really can make a difference, and I am confident that you will!

Thank you for the opportunity to share this time with you. I wish you all the best in your careers, and I look forward to working with you in the future. Again, congratulations.

Acceptance Speech

by Colonel (Ret.) John C. (Jack) Mutarelli

Thank you for the kind introduction.

Mr. Fitzgerald, Dean Stith, Provost Hurd, Distinguished Facility, Class of 2006 Graduates, your families and friends.

I am truly humbled by having been selected to receive this year's Lieutenant General James F. McCall award. General McCall was one of my mentors; receiving this award named for him is an extreme personal honor.

I want to begin by saying this is a beautiful building. Its mere existence makes a profound statement as to the importance of this program to Syracuse University and the Whitman School of Management. It makes me proud to be an alumnus.

As you know from the introduction, I graduated with my Syracuse class in August of 1978. I could tell you that those were the "good old days", but I won't. We had almost all of our classes in Slocum Hall which at that time had no air conditioning; we used 80 column punch card decks to run SPSS and we had to reserve a seat at the computer center to do programming in FORTRAN.

What I will tell you however is that we received a wonderful education just as I know each of you have received, but do not know it yet. You will begin to realize the power of what you have learned once you report in to your new job; this realization will grow and it will carry with you the rest of your career.

At my class's graduation, I had the privilege, as a co-recipient of the Neuman award, to address our class. I took the opportunity to tell our class two things, which with your forbearance I will review with you.

First, we came to learn and that being at graduation meant we were successful in the eyes of the University. Using an analogy,

I said that the faculty helped us to pack our tool kits with the necessary wares to practice the craft called Comptrollership. It would then be our job to use these tools to create a synergy and make one plus one equal three and prove how well we had learned our craft.

Well I am here to tell you I was wrong. No, not about the faculty packing the tool kit or learning. The tools were there, they were well oiled, sharp and ready to use.

I was wrong about my idea of synergy. You see, as Syracuse graduates moving into the resource management environment we learned very quickly that making one plus one equal three was not enough.

The demands of military comptrollership since 1978 have been challenged by severely constrained resources more often than they have been by extra resources. And those resource challenges had to be balanced against growing demands and commanders' willingness to take risk. We were an essential part of that management/leadership challenge.

To meet this challenge, we Syracuse graduates were expected to take the concept of synergy to a higher level. To a mathematical order of magnitude bigger. Kind of like, going from 10 to the first power, ten , to 10 to the second power, one hundred.

As a Syracuse graduate you will be expected to be a top performer. I challenge each of you to take your well packed tool kit and make a difference. Do not accept just "good enough". Make a contribution for which you are proud to have your name associated.

The second thing I said to our class was that we all needed to have and to protect our individual integrity. (This sure has been

Lieutenant General James F. McCall Award Recipient

a big topic in the business world lately.) I was convinced then and continue to be that personal integrity has a tremendous value of its own; personally and for the organizations we lead and the leadership we support. Unfortunately, once it is lost it can not be easily recovered.

I was right when it comes to integrity; however, at the time I did not know how right I was. My assignments and jobs have taught me that it is a big, big deal.

In my opinion, integrity is not a value to be worn on your sleeve. It is a value that is displayed in what you say and more importantly, in the actions you take every day.

You and your integrity will be challenged continuously. However, I caution you not to use it as a shield and allow yourself to become a naysayer. In every situation you must accept the premise that everyone wants to do what is right. Your challenge will be to offer a way forward; sometimes it will be through assistance and advice, and sometimes it will be through your personal leadership, on how to do it the right way.

My concluding thought is one that I take from General McCall, a successful military officer, Comptroller, businessman, American Society Military Comptrollers Executive Director and mentor. Mentor from Greek means teacher. As mentioned I consider General McCall one of my mentors—my teacher.

One of the lessons learned from him was how to successfully transition to a new job. When he moved into a new position or job you always knew he was in charge from day one. As I observed him, he practiced more than the old saying, "When in charge take charge". He accepted all that was right as well as that which was wrong. He never directly or indirectly implied that he owned all the rights and that the wrongs were owned by his predecessor. I have taken this lesson and made it into a rule that I follow. That is, "If I blame my predecessor for all that is wrong, I should be prepared to also give credit for all that is right." It truly makes accepting responsibility in a new position much easier.

You are all going to new jobs. You will replace someone. I encourage you to take charge, learn and always accept responsibility. When you do, you will be seen as a professional and a leader.

Now, if I may end where I started, I want to again say I am truly humbled to have been selected as this year's recipient of the Lieutenant General James F. McCall award.

Congratulations to each member of the graduating class on a job well done. There is work to be done, your tool kit has been packed; it is now up to you to accept the challenges and reap the rewards of your chosen profession. I wish you an exciting and successful career doing this thing we call Comptrollership.

About the Author

Colonel (Ret.) Mutarelli is currently the Executive Vice President and CFO of CALIBRE Systems Inc. in Alexandria, VA

Acceptance Speech

by Ms. Kathleen Miller, Director, Operations, Support and Business Resources
Office of the Director for Army Budget Assistant Secretary of the Army, Financial
Management and Comptroller

Good Morning! Dean Stith, Mr. Fitzgerald, Colonel (Ret.) Berg, Director Gerard, Provost Hurd, Mr Mutarelli, Defense Comptrollership Program graduates and honored guests, I am so pleased and tremendously honored to be with you this morning as the Leonard F. Keenan award winner.

Before I get to my comments, I thought you might be interested in knowing a bit more about Mr. Leonard F. (Larry) Keenan. Larry was a graduate of the Army Comptrollership Program (ACP) in Class 15. He went on to become the Deputy Comptroller of the Army (COA) in the days before implementation of the Goldwater-Nichols Act. In those days, the Army had both a military Comptroller, and a civilian Assistant Secretary. In his role as Deputy COA, Larry was a driving force behind professional education and training for the Army's Comptroller career field. Without his personal support, the Army's comptrollership programs would not be the success that they are today. This distinguished service award was created by the faculty of the Syracuse School of Management to honor and remember Mr. Keenan's visionary contributions.

I thank Mr. Mutarelli for his wise comments on leadership and integrity. I would like to take the next few minutes to talk a little bit about the operational situation you are about to rejoin.

We are an Army at War. With our Army and our Nation at war the resource environment in which you will be expected to lead is complex and volatile, much more so than the environment I faced as a new graduate in 1994.

In August 1994, I left Syracuse to work for an Army that already knew the base budget for Fiscal Year 1995 was $62 Billion. Of that $62 Billion, $21 Billion was Military Pay, $23 Billion was Operations and Maintenance, $7 Billion was Procurement and $9 Billion was a combination of Research and Development, Military Construction and other small appropriations.

The process through which the Army was funded was, comparatively, simple. Congress generally passed the Appropriation Act at the beginning of the year. Up front, we knew what we had to work with, emergency supplemental appropriations were nearly unheard of, and both the Congress and the Department took special pride in limiting omnibus reprogramming actions.

Contrast 1994 with today. The Army is closing out Fiscal Year 2006, which was funded with a $98 Billion base budget–$41.4 Billion in Military Pay, $31.8 Billion in Operations and Maintenance, $11.8 Billion in Procurement, and $13 Billion in other appropriations including Research and Development, Army Family Housing, Military Construction, Base Realignment and Closure, Environmental Restoration, and Chem Demil–and $68 Billion in emergency supplemental appropriations to support the Global War on Terror.

In 2006 the process is much more complex–rather than a single bill providing funding for a full fiscal year–we receive funding in three main pieces scattered throughout the fiscal year. The three pieces are the Base Budget (Title X), the bridge supplemental (Title IX) and the main war supplemental. In addition to the funding, we have an opportunity to request reprogramming of funds between the appropriations via the Omnibus which, by law, is due to Congress on June 30 of each year. In 2006, Congress passed the

Appropriations Act and Title IX in late December 2005–nearly three months into the fiscal year. The main war supplemental was passed in mid-June 2006–three quarters of the way through our fiscal year. The Omnibus request was still due to Congress on June 30; two weeks after receipt of the Main Supplemental.

Even with $168 Billion now at our disposal, it is not enough, nor is it in the right places to fund the expenses of the Global War on Terror and the larger force necessary to prosecute this war. Specific challenges include funding a $2B shortfall in the Military Pay appropriations; managing the boundaries between base programs and supplemental funding (GWOT); and resetting the cost position of the Army so it can continue the most critical base program missions given the Congressional 302b allocation reductions ($4B House, $9B Senate) allocated to the Department of Defense for the Fiscal Year 2007 Appropriations. The Army you are rejoining has put in place spending restrictions in the Operations and Maintenance Army (OMA) appropriation to help meet these challenges. These restrictions include hiring limitations, supply reductions, a freeze on new contracts, limitations on purchase card expenditures, reductions in TDY, and specific prohibitions on transportation.

Which brings me back to service. B.F. Skinner once said, "Education is what survives when what has been learned has been forgotten". It is time now for you to leave this place of learning and use your education to continue your service to our Soldiers, the Army, the Department, and this Nation at war.

Congratulations on your graduation and thank you so much for your attention this morning.

Melvin T. Stith, Dean of the Whitman School of Management and students from the Professional Resource Management Course and the Defense Comptrollership Program (Classes 2006 and 2007)

Correction

Correction to an article that appeared in the 2nd Quarter 2006 issue of *Resource Management* on page 15: The Comptroller Civilian Career Program does not recruit Management and Program Analyst interns.